

1320 Research Park Drive
Manhattan, Kansas 66502
(785) 564-6700



900 SW Jackson, Room 456
Topeka, Kansas 66612
(785) 296-3556

Jackie McClaskey, Secretary

Governor Sam Brownback

Local Food and Farm Task Force Meeting Minutes November 14, 2016

Task Force Members in attendance: Loren Swenson, Representative Adam Lusker, Chairman Ron Brown, Dr. Cary Rivard, Senator Hawk and David Coltrain.

KDA staff in attendance: Steve Moris and Julie Roller.

Others in attendance: David Bruton, Scott Kohl, Misty Lechner, Natalie Fullerton, Ashley Jones-Wisner, Phyll Klima, Mark Skoglund, Scott Wells and Nancy Brown.

Welcome: Meeting called to order by Chair Ron Brown at 12:30 p.m. All task force members were present, for the exception of Annarose Hart White and Senator Dan Kerschen. Task Force and audience made introductions.

Chairman Brown shared information from the Governor's Water Conference and ways they discussed to raise funds for the Water Plan (various types of taxes). He also shared that it would be Julie Roller's last Task Force meeting.

Lusker moved to approve the minutes. Rivard seconded.

Moris, Kansas Department of Agriculture's Food Safety and Lodging Program Manager, shared information about the program:

- There are more than 16,000 licenses statewide
- More than 21,000 inspections last year
- 49 staff members in the field, working out of their home office and managing a territory in which they perform inspections
- 100% fee-funded program and receive federal grants

Hawk asked how one can develop local foods and to fairly market them. Hawk asked how they can make sure, for example, if jams/jellies can be sold at a farmer's market, but cannot be given to a small roadside grocery store? Hawk stated that the rules are different and asked how we can make those rules more congruent.

Moris answered- "We always try to work with those who want to sell food and find possible ways to legally do that. Through our exemptions, such as jams and jellies- those can be sold at a farmers' market, roadside stand, craft show, but when you take that to another business, they cannot ask the actual maker of that business about that product. Becoming licensed is not as

1320 Research Park Drive
Manhattan, Kansas 66502
(785) 564-6700



900 SW Jackson, Room 456
Topeka, Kansas 66612
(785) 296-3556

Jackie McClaskey, Secretary

Governor Sam Brownback

tough as people think it might be. We want to help the industry. If anyone has questions, they can call us. A license is relatively affordable, some are \$80.

Roller further explained selling at farmers' markets and incubator kitchens.

Hawk asked questions pertaining to if churches could be used (granted it develops tax problems if it is being used for a for-profit business).

Swenson stated that he talked with his manager and the new inspector has been very helpful. Swenson asked why grocery stores gas bananas/tomatoes. He stated that people who buy from them get upset that their tomatoes from them go bad quicker. Swenson asked why grocery stores do not have to explain this.

Moris answered that producers must follow federal guidelines. As long as they follow guidelines and the product is safe, they do not have to proclaim is. Steve explained that this subject is all federal.

Swenson asked where he can find procedures to sell meat and eggs. He stated that they would love to sell broilers. Swenson shared that there is no state-licensed place that will mess with chickens. He also stated that there is not a processor in North Central Kansas and the nearest is in Hutchinson.

Moris stated that in the last year, they have put a large emphasis on educating before regulating. He stated that they spend more time at inspections with less violations and they will continue to do that.

Hawk stated that when he was in western Kansas, one of the poultry producers who is marketing eggs asked him a question about making that difficult ot do,

Roller shared about the egg grading workshops.

Chairman Brown asked about produce auctions- are they inspected? (licensed as a storage facility)

Moris stated that there is no need to be licensed to sell whole product (whole tomato) to restaurants. He stated that you only need a license if it is processed.

1320 Research Park Drive
Manhattan, Kansas 66502
(785) 564-6700



900 SW Jackson, Room 456
Topeka, Kansas 66612
(785) 296-3556

Jackie McClaskey, Secretary

Governor Sam Brownback

Moris also stated that regarding FSMA and produce safety rule, KDA Food Safety and Ag Marketing applied for a cooperative agreement that provides \$2 million over the next 5 years to provide training for fruit and vegetable growers on how to comply with the rule. He stated that they partnered with KSRE. He also stated that there is no set list of farms and that they have to find them.

Rivard stated that in regards to FSMA, there are different levels of growers. He spoke to how soon they would need to comply. He asked Moris how the federal government identifies those people and imposes those regulations.

Moris stated that it has to do with their sales and number of workers. He stated that they can get a lot of information from the major players sharing where they are getting their products from. He also stated that water and soil testing will come later after they have been in compliance.

David Bruton with Kansas Forest Service was the following speaker.

Lusker stated that this speaker fits with the local food and farm task force effort because it is his hope to have a finishing mill in Kansas and KS exports a lot of lumber.

Bruton covered various topics in his discussion of the Kansas Forest Service:

- They dropped the Christmas tree off at the Governor's Office that day
- People enjoy the experience of chopping their own tree
- Scotch Pine is the #1 tree grown in Kansas and KS has no native pines in Kansas
- Kansas and Hawaii are the only two states that do not have a native pine tree
- First, you must have land owners- those are growing/managing trees- we need loggers to go out and harvest trees and give landowners a fair price
- Forestry is a long-term investment
- Agro-forestry: incorporating trees and growing crops in between the rows
- We have a lot of trees and the less people know, the less competition
- It takes 60-80 years for it to become a good commercial tree
- They maintain a listing of timber buyers to share with land owners on a county by county basis, with many buyers from out of state
- Can be \$3/board foot for veneer quality
- A log can have a few hundred board feet. Many are \$600, not many are \$1000
- We lack kiln capacity
- We need lumber to dry to 6-8% moisture content to make furniture
- Many logs are harvested in KS and shipped out of state

1320 Research Park Drive
Manhattan, Kansas 66502
(785) 564-6700



900 SW Jackson, Room 456
Topeka, Kansas 66612
(785) 296-3556

Jackie McClaskey, Secretary

Governor Sam Brownback

- KS is missing out on that value-added component
- Missouri has a more favorable tax benefit
- They would like to promote using urban trees for park benches
- Biggest downfall of urban trees is nails or metal in the tree
- You can use a metal detector to scan trees
- The pallet industry is a big part of the industry
- Frito Lay takes wood chips and uses them to heat the oil for potato chips (“chips for chips”). There is a company named “Garick” that supplies it (in Topeka).
- Kansas syrup from Hiawatha
- Kansas Forest Service does not oversee fruit trees

Lusker asked what the utilitarian uses for pallet biomass (bi-product) is?

Bruton stated that bio-char is something he would love to develop a market for. He stated that there is a man in St. Francis who takes bones and puts them into the charring process. He said it was really interesting. He suggested the group look up “biochar”.

Swenson stated that it is great and that he uses it- puts it on the ground on sandy soil.

Bruton stated that biochar is wood that has been cooked with limited oxygen, but that you must be careful with it so that it does not take all the nutrients from the soil. He stated many urban areas require lumber to be grade stamped. He also stated that Dr. Bill Reed is a nut tree specialist.

Rivard stated that according to the department, he is not a specialist for fruit, but tree fruit and vegetables are very different. He stated that they were looking at hiring a fruit specialist, but budget cuts were made and the idea was done away with. He also stated that in order to get tenure, you need to get published and it takes many years to grow trees to have data to get published. Rivard also stated that Londa is a great example of a shared Kansas/Missouri position. Londa is not required to do research and she is doing really good things for the State of Kansas and food safety. Rivard said that she is 100% extension. Rivard also said that they need more money and that is the problem.

Lusker told Bruton that they should talk more about taxes in the ag committee when they reconvene.

1320 Research Park Drive
Manhattan, Kansas 66502
(785) 564-6700



900 SW Jackson, Room 456
Topeka, Kansas 66612
(785) 296-3556

Jackie McClaskey, Secretary

Governor Sam Brownback

Bruton stated that they run on soft dollars- chasing grants. He also stated that in Missouri, 1/8 of a cent goes to natural resources and conservation. Missouri is envied by everyone in the country and the law was passed in the 70s.

Ashley Jones-Wisner was the following speaker:

- They started on the effort to reduce/eliminate food sales tax several years ago. It is a barrier
- At first, they started on fruits/vegetables, but the issue is that it does not comply with the streamlined sales tax compact
- Since then, they have worked with Senator Tom Holland to try to phase out sales tax on food as a constitutional amendment. It would have been a vote to the people of Kansas
- They worked with Mark Hutton to decrease sales tax on food and make up for lost income by eliminated the LLC loophole
- While the budget outlook is dismal, this does have bipartisan support and consensus from Kansans in general
- They commissioned three different studies including the following topics: food sales tax disproportionately impacts low income individuals; food sales tax impacts rural grocery stores; in regards to the "border effect", we are losing money to neighboring states because of the sales tax on food
- 100% of candidate respondents said they support a reduction or elimination of sales tax on food
- The ask of the task force is to include lower sales tax on food (again) in their report to keep this information top of mind

Lusker stated that partners in ag may be applicable to lowering food sales tax. He stated that he would like to look at what it should be and how they can make up for the difference. He said that he thinks loss of income projections accounts to border-loss income.

Rivard asked if there is a way to find out not only the loss of income, but if they can keep those dollars in Kansas, will it result in more income tax paid?

Wells stated that in 2000, the legislature gave the Department of Revenue power to enter into an agreement with multiple states to unify use tax collections. (example: internet sales- tax sales)

Lusker stated that we have to repair our revenue stream before we can do anything in the State of Kansas.

Hawk asked if they might want to recommend not only sales tax on food, but perhaps also the sales tax on fruits and vegetables.

1320 Research Park Drive
Manhattan, Kansas 66502
(785) 564-6700



900 SW Jackson, Room 456
Topeka, Kansas 66612
(785) 296-3556

Jackie McClaskey, Secretary

Governor Sam Brownback

Lusker stated that they would recommend reducing the sales tax on food to x%. He believes they can achieve it if they have documentation.

Swenson asked with 1% reduction, will anyone really change their habits?

Jones-Wisner stated that even just reducing a bit, may reduce the burden on Kansas families. She said that it may not make a difference in border issues, but family issues it might.

Lechner asked if they could leave the tax on candy, but reduce it on others.

Lusker asked if they lower food sales tax, does that apply to restaurants as well?

Wells stated that you can write it in a way where it would not apply to "prepared food". He stated that they could term in "grocery store food".

N. Brown stated that they would not oppose a reduction on sales tax on all food. She also said that they do not believe in picking winners and losers and eliminating it on certain things.

Wells stated that you can do it either way- eliminating sales tax on food, but it could leave local/county and will leave federal.

Lusker asked if that they lower food sales tax to 5%, do the cities and counties get charged?

Wells said yes.

Lusker asked if they can lower food sales tax to 5% and require those cities/counties not to collect that?

Wells said that he would have to look.

Lusker asked if only exempting food sales tax would eliminate them from collecting locally?

Wells stated that they could run into issues.

The Task Force began their work session and discussed the language for the bill. Legislative research has this on file.

1320 Research Park Drive
Manhattan, Kansas 66502
(785) 564-6700



900 SW Jackson, Room 456
Topeka, Kansas 66612
(785) 296-3556

Jackie McClaskey, Secretary

Governor Sam Brownback

Lusker summarized the legislation points for the report:

1. Wine tax
2. Food Sales Tax
3. Again, create a position at KDA

Meeting adjourned by 4 p.m.

Next meeting will be called to order on December 13, 2016 at 9:00 a.m. It will take place at the Kansas Department of Agriculture in room 124.